REMARKS

The following remarks are submitted to address all issues in this case, and to put this case in condition for allowance. Application claims 1 – 29 are pending in this application. Application claims 1, 26 and 29 are the only independent claims. Applicants have studied the Office Action mailed September 25, 2008 and respond with the following remarks. These remarks are submitted to address all issues in this case, and to put this case in condition for allowance.

35 USC §101

The Examiner has rejected claim 1 under 35 U.S.C. 101 as drawn to a non-statutory subject matter. The Examiner asserts that the steps of claim 1 are related to a mental process, which is not patentable. Specifically, the Examiner asserts that claim 1 is not patentable because it is not tied to another statutory class; it does not change or switch statutory classes; nor does it transform the underlying subject matter to a different state or thing. Applicants respectfully traverse the Examiner's rejection of Applicants' claim 1 as drawn to non-statutory subject matter.

The Examiner bears the initial burden . . . of presenting a *prima face* case of unpatentability. *In re Oeitker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). If the record as a whole suggests that it is more likely than not that the claimed invention would be considered a practical application of an abstract idea, then the Examiner should not reject the claim. *See* MPEP §2106 IV(d).

A claimed process is surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different

state or thing. *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008)(*en banc*). Thus, in order to present a *prima facie* case for unpatentability under § 101, the Examiner must show that Applicants' process of claim 1 is not tied to a machine or apparatus *and* that it does not transform a particular article into a different state or thing. The Examiner has not, and can not, make this *prima facie* showing as Applicants' process claim 1 transforms a particular article, thus satisfying the second prong of *In re Bilski*.

A transformation or manipulation meets the 'transformation' test if it transforms a physical object or substance, or instrument representative of a physical object or substance. *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008)(*en banc*). Applicants' claim 1 involves the transformation of a debt instrument and the underlying debt. A debt instrument is "a written promise to repay debt, such as a promissory note, bill, bond or commercial paper." *See* Blacks Law Dictionary (7th ed. 1999). Debt is *something* that is owed or that one is bound to pay to or perform for another; a liability or obligation to pay or render something. *See* Webster's Dictionary online, http://dictionary.reference.com/. Accordingly, 'debt' is a substance; it is a tangible amount owed or obligation to pay. Further, a debt instrument is an instrument representative of a substance; specifically it represents a certain amount of debt owed. Thus, Applicants' claim 1 involves both the transformation of a physical object or substance and an instrument representative of a physical object or substance.

Therefore, Applicants respectfully submit that Applicants' claim 1 satisfies the 'transformation' prong of *In re Bilski*. The Examiner has not and, for the reasons stated above, can not satisfy his burden of showing a *prima face* case of unpatenability.

35 USC §102

The Examiner has rejected claims 1-4, 7-17, 21-26 and 28 under 35 U.S.C. §102 as being anticipated by Teveler, *et al.* (2001/0034663). Applicants respectfully traverse on the grounds the Examiner has failed to show anticipation of the present claims by Teveler, and Applicants further contend that it is, in fact, not possible for Teveler to anticipate the present claims as Teveler fails to show a significant number of elements of the present claims. Applicants note that "'a claim is anticipated only if each and every element as set forth in the claims is found. . . in a single prior art reference.'" MPEP 2131, citing *Verdegall Bros v. Union Oil of California*, 814 F.2d 628, 631 (Fed. Cir. 1987).

As a preliminary matter, Applicants note that Teveler teaches a method whose purpose is wholly different than the process of Applicants' claims. Teveler teaches a method for providing a buyer with a *discount* on the purchase of commodities by tying the original transaction to the long term purchase of goods or services. In other words, Teveler teaches a method for the reduction in price of certain goods by tying a short term transaction to the long term purchase of goods from certain commodity providers. Applicants respectfully submit that Applicants' claims do not teach a method that *reduces the price* of goods. Applicants state that, as claimed in their application, through the use of two financial lending instruments, one for secured borrowing – one for unsecured borrowing that provides a borrowing incentive, Applicants' method discloses a way to earn an incentive from borrowing without a penalty. An incentive has no effect on the price of a good, rather it encourages spending through secondary "bonus points." Thus,

the methods of Teveler and Applicants' claims perform completely different functions and achieve wholly different results.

Firstly, Applicants' independent claims 1 and 26 both recite a principal lending instrument having a level of funds available for secured borrowing, said level of funds being greater than a second unsecured level of funds. A tangible example of such a lending instrument, as described in the specification of the present application, is an authorized withdrawal on a line of credit from a bank or similar lending institution. *See* pp 14-16. To satisfy this element of Applicants' claims, the Examiner ambiguously points to FIG. 16 of Teveler. However, FIG. 16 of Teveler gives no indication of use of a principal lending instrument, such as a line of credit, with funds available for secured borrowing. In fact, nowhere in the specification or claims of Teveler is a secured lending instrument utilized.

Secondly, Applicants' independent claims 1 and 26 both recite an incentive lending instrument, which provides incentives for borrowing, having a second level of funds available for unsecured borrowing. These instruments offer an incentive for the withdrawal of funds from the unsecured lending instrument. *See* p 15. To satisfy this element, the Examiner cites to FIG. 16 of Teveler. Again, Applicant respectfully submits that no part of FIG. 16 discloses an incentive lending instrument for unsecured borrowing. In fact, while Teveler discusses the discount of goods, nowhere does it disclose or discuss the availability of goods to a buyer via an incentive lending instrument.

Thirdly, Applicants' independent claims 1 and 26 both recite the step of borrowing funds in a first amount from the incentive lending instrument and incurring a

debt in the incentive lending instrument. To satisfy this element, the Examiner again cites to FIG. 16 of Teveler, specifically element 1700. Element 1700 discloses the step of a merchant sending a buyer's approved credit card information and purchasing data to an order processing system. No debt is occurred in this step, rather it is simply the transfer of credit card information. While a credit card is used, said credit card is not necessarily an incentive lending instrument.

Fourthly, Applicants' independent claims 1 and 26 both recite the step of accruing an incentive from the incentive lending instrument. To satisfy this element, the Examiner again cites to FIG 16, specifically element 1704. This element of Teveler discloses the step of the order processing system displaying to a customer a separate agreement for discount to be considered as interest free guarantees of future commodities. Thus, this element of Teveler discloses the display of an agreement for future discounts. As explained *supra*, a discount is different than an incentive. Incentives do not reduce the purchase price of goods. Further, this element of Teveler discloses an agreement for future discounts, whereas this element of Applicants' claims discloses an active accrual, not an agreement for future accruals, of an incentive.

Fifthly, Applicants' independent claims 1 and 26 both recite the step of paying a second party with at least the funds borrowed from the first lending instrument. The Examiner looks to FIG. 16, element 1709 to satisfy this element of Applicants' claims. 1709 discloses the transfer of data from the buyers' agreement to the trading system. No debt is paid down. No second party is paid. Rather, data and an agreement are transferred to a trading system.

Lastly, Applicants' independent claims 1 and 26 both recite the final step of borrowing funds in a first amount from a principal lending instrument incurring a second debt and crediting the incentive lending instrument with funds borrowed from the principal lending instrument to eliminate the first debt prior to being charged interest on the first debt. In an attempt to satisfy this element, the Examiner directs the Applicants attention to paragraphs [189] and [190] of Teveler. Nowhere in these paragraphs is a first and second lending instrument disclosed, only a credit card is mentioned. Nowhere in these paragraphs is the borrowing of funds for the elimination of debt disclosed, prior to the imposition of interest on an outstanding debt. All that is disclosed in these paragraphs is the coverage of credit card debt through the purchase of goods and services from a commodity provider over a period of time. Again, the Examiner's cited elements are wholly different from, and not relevant to, the method disclosed in Applicants' claims.

Since, as discussed above, Teveler lacks multiple elements of each of the independent claims of the present application, it is axiomatic that Teveler cannot anticipate the present independent claims and they would be allowable over the cited art.

Applicants further note that Teveler does not provide a number of elements of the present dependant claims. This includes, but is not limited to the following: where the first party is a contractor in the construction field and the second party is a subcontractor in the construction field; where the principal lending instrument provides for a line of credit; where the line of credit is provided by a bank; where the incentive lending instrument includes a payment window from the time borrowing occurs until the interest is charged if the first debt remains unpaid; and wherein a management company coordinates the relationships among the entities involved in the system. As none of these

elements are shown in Teveler, even if Teveler anticipated the independent claims (which it does not) these dependant claims would still not be anticipated.

35 USC §103

The Examiner has rejected the pending claims 2-3, 5-6, 27 and 29 under 35 U.S.C. §103 as being obvious in light of the combination of Teveler and Examiner's Official Notice. Applicants respectfully traverse the Examiner's obviousness rejection of Applicants' claims 2-3, 5-6, 27 and 29 with the combination of Teveler and Examiner's Official Notice. The sole embodiment and discussion citied by the Examiner for support in Teveler appears to be FIG. 16 and paragraphs [189] and [190]. This minimal disclosure cannot render the present claims obvious as the systems and methods of the present claims operate in a completely different manner and have a completely different outcome. The present disclosure provides for the transformation of debt between two lending instruments, such that a party can receive incentives while avoiding interest penalties. In Teveler, there is no such transfer of debt, there are not two lending instruments, there is no receipt of incentives and there is no method for avoiding possible penalties.

As Teveler fails to show or render obvious independent claims 1, 26 and 28, Applicants contend independent claims 1, 26 and 28 are allowable over Teveler. As the remaining claims depend from one of the independent claims, they are also believed to be allowable.

Conclusion

In light of the above remarks and amendments, Applicants believe that all of the Examiner's rejections of the pending claims have been overcome; and since the Examiner has failed to present a *prima facie* case for non-statutory subject matter and none of the references cited by the Examiner, alone or in combination, anticipate or render obvious all of the elements of the claims presented herein, Applicants respectfully request that the Examiner withdraw all rejections to the present application and allow this application to pass to issuance.

As a final point, there is also included herewith a petition for a three month extension of time and the associated petition fee. It is believed no other fees are due in conjunction with this filing; however, the Commissioner is authorized to credit any overpayment or charge and deficiencies necessary for entering this amendment, including any claims fees and/or extension fees to/from our **Deposit Account No. 50-0975.**

If any questions remain, Applicants respectfully request a telephone call to the below-signed attorney at (314) 444-1384.

Respectfully submitted,
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